



DMCC Company Regulations 2020 - 5 Significant Innovations

On 02.01.2020, new company regulations came into effect in the free zone Dubai Multi Commodities Centre ("DMCC"). The DMCCA Company Regulations ("DMCC Company Regulations 2020") replace the former rules in their entirety and, thus, apply to all forms of entities licensed in DMCC, i.e. companies with limited liability ("DMCC Companies") as well dependent subsidiaries of companies ("Branches"). The new set of rules considers current developments in corporate law and eliminates previously existing shortcomings. As a result, a modern piece of legislation has evolved which creates greater flexibility for companies. We will introduce five significant innovations below:

Innovation 1

More freedom to draft memoranda and articles of association

Whereas before, DMCC Companies had to use memoranda and articles of association ("MoA and AoA") which were issued by the Dubai Multi Commodities Centre Authority ("DMCCA") as a form document. Now, DMCC Companies are free to use either the updated model MoA and AoA, an amended version of such template or their own tailor-made MoA and AoA.

A prerequisite for using an amended version of the model MoA and AoA or own MoA and AoA is obtaining an approval from DMCCA. For this purpose, a legal opinion has to be submitted to DMCCA which sufficiently demonstrates the conformity of each amended clause of the template document or the complete tailor-made MoA and AoA with the DMCC Company Regulations 2020.

DMCC Companies already in existence are required to ensure that their respective MoA and AoA are compatible with the DMCC Company Regulations 2020 and, if necessary, make adjustments within 24 months from the date the new rules came into force.

Innovation 2

Further types and classes of shares

Pursuant to the DMCC Company Regulations 2020, DMCC Companies now have the option to issue various types or classes of shares. By being able to assign different rights and obligations to shares, DMCC Companies are provided with greater flexibility concerning their shareholding structure.

Should a DMCC Company decide to issue different types or classes of shares, the MoA and AoA have to expressly provide for the same. It has to be noted that at least 80% of all shares must be ordinary shares and only 20% can be allocated differently.

Innovation 3

Suspension of license as an alternative to liquidation

Should the continuation of a DMCC Company not be viable in the foreseeable future, the revitalisation of the business, however, not wholly be ruled out, a DMCC Company can suspend its operations instead of being liquidated immediately. The

suspension of license must be applied for at DMCCA for a minimum duration of 12 months and may not exceed a maximum (cumulative) period of 36 months during the existence of a DMCC Company.

In order to achieve such dormant status, a DMCC Company must, amongst other requirements, cancel all existing residence visas and work permits as well tenancy contracts. Bank accounts must also be closed. The fees for a suspension of license amount to AED 5,000 per year. Thus, the costs of dormancy are significantly lower than the annual license fees of at least AED 20,000.

Branches cannot apply for a suspension of license.

Innovation 4

Option for company migration

Companies licensed in a jurisdiction other than DMCC may, pursuant to the DMCC Company Regulations 2020, now transfer their domicile to and continue their operations in DMCC, provided the laws of the present jurisdiction allow for such migration.

Respectively, companies licensed in DMCC may migrate out of DMCC into another jurisdiction and will, after a so-called Certificate of Continuation has been issued by the then concerned authority, be removed from DMCCA's company register.

Innovation 5

Reorganisation of company officers

The DMCC Company Regulations 2020 restructure the rules regarding the company officers to be appointed for DMCC Companies and Branches.

DMCC Companies are now required to appoint one manager and one secretary as well as at least one director. Branches must have a manager. The appointment of a secretary is optional. The position of a director, however, is no longer available for Branches. Currently appointed directors of Branches must consequently be removed within 24 months after the DMCC Company Regulations 2020 came into effect. The option to appoint a legal representative has been abolished entirely.



For the first time, a juridical person can be appointed as secretary. The positions of manager and director, however, remain reserved for natural persons only.

Furthermore, the DMCC Company Regulations 2020 define rights and obligations of the company officers in greater detail than before. This holds true, in particular, for the respectively applicable powers of representation as well as responsibilities concerning the contents and maintenance of company registers.

In a nutshell: The most important facts

Do you own a DMCC Company or Branch licensed in DMCC? In such case, the DMCC Company Regulations 2020 require you to make the following considerations:

- Examine your MoA and AoA and determine whether the document is in line with the new regulations. Should this not be the case, you are obliged to amend the MoA and AoA accordingly until the end of December 2021.
- Review whether the currently appointed company officers of your DMCC Company or Branch continue meeting the requirements of the new regulations or whether you potentially have to appoint new or remove existing company officers.
- Verify whether the company officers are aware of and adhere to their respective rights and obligations.
- Assess whether you can benefit from the new options available under the DMCC Company Regulations 2020. Would, for example, the issuance of different types or classes of shares, a suspension of your license or a company migration be useful?

Should you plan to establish an entity in a free zone located in the United Arab Emirates, the enactment of the DMCC Company Regulations 2020 is another compelling reason to shortlist DMCC as a suitable location for your new business.

Do you have questions? - We would be glad to answer them!

From our office located in the heart of Dubai, our team of German attorneys has been advising small and medium-sized companies, corporations and individuals on the laws of the United Arab Emirates for more than a decade. Our areas of expertise include corporate and commercial law (in particular business set ups), commercial agency law, employment law as well as tenancy and real estate law. We would be happy to attend to your questions as well. Contact us!

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